

ITEM NO.	SUBJECT	REF
	ADJUSTMENT BUDGET REPORT- FEBRUARY 2014	

**REPORT TO** : COUNCIL  
**DATE** : 27 FEBRUARY 2015  
**DIRECTORATE** : BUDGET AND TREASURY OFFICE  
**AUTHOR** : BUDGET OFFICER

## PURPOSE

To seek Council approval in terms of section 28 of the Municipal Finance Management Act of 2003, for the 2014/15 adjustment budget.

## PART 1

### 1.1 MAYOR'S REPORT

His worship the Mayor started his speech by emphasizing the importance of sticking to the Vision and Mission of Hlabisa Municipality as these are the keys in uplifting the lives of our local community.

#### Vision

" A prosperous and sustainable municipality ensuring the provision of basic services, skills, quality life and economic opportunities"

#### Mission Statement

- Exploring and exploiting natural resources and opportunities that we have,
- Through cooperative and collaborative working relations with all stakeholders, and
- Eradicating the vicious cycles of poverty, unemployment and other social ills.
- By enhancing our systems and processes to promote good governance,
- By upholding BATHO PELE Principles

Although our municipality is located in a rural place that is mostly harmed by high rate of unemployment, Illiteracy and other negative factors that hinder progress and service delivery to the local community. Hlabisa Local Municipality intend to do more with the available resources in order to enhance service delivery that aims at improving the quality of life for all people within it geographical area, Adjustment Budgeting is essential about choices that the municipality has to make between competing priorities and fiscal realities. As Hlabisa Municipality we need to remain focused on the effective and efficient delivery of core municipal services. The application of sound financial management principles is crucial to ensure that the municipality remains financial viable, and that sustainable municipal services are provided to the community at large.

In support to our objective of improving peoples life's through service delivery with the usage of available resources, the municipality has considered the following Turnaround strategies:

- Good corporate governance

- Transformation of infrastructure
- Financial viability and sustainability
- Management change and organisational review

A detailed delivery agreement has been developed to extend targets and responsibilities to National and Provincial departments, Hlabisa Local Municipality's financial plan must take into account some outcomes when developing its budget. It is of vital importance that the municipality must perform the following:

- Improve municipal financial and administrative capacity by implementing competency norms and standards.
- Ensure that capital budgets are appropriately prioritised and fully involved in community consultation process around IDP, Budget and other related service delivery issues.
- Review the municipal expenditures to eliminate fruitless and wasteful expenditures.
- Ensure effective maintenance and rehabilitation of infrastructure.
- Ensure effective spending of grants for funding extension.

## **1.2 EXECUTIVE SUMMARY**

In terms of section 28 (4) of the MFMA, the mayor of the Municipality must table an adjustment budget in the municipal Council accompanied by explanations on how the adjustment budget affects the annual budget, provide supporting documentation and motivates for any material changes to the annual budget. Paragraph (6) of that section however, forbid the Mayor to adjust tariffs and taxes except where required in terms of a financial recovery plan

## **1.3 OPERATING REVENUE AND EXPENDITURE FRAMEWORK**

The operating budget summary provides information on both income and expenditure activities in line with the approved budget and the proposed adjustment budget for the year under- review and the following will be discussed:

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	A1	B	C	D	E	F	G	H		
R thousands	1	A	A1	B	C	D	E	F	G	H		
<b>Revenue By Source</b>												
Property rates	2	1 086	-	-	-	-	-	(611)	(611)	475	1 108	1 130
Property rates - penalties & collection charges	0	-						-	-	-	-	-
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	43	-	-	-	-	-	17	17	60	45	48
Service charges - other		-						-	-	-		
Rental of facilities and equipment		339						(102)	(102)	237	237	261
Interest earned - external investments		360						-	-	360	372	384
Interest earned - outstanding debtors		32						-	-	32	33	36
Dividends received		-						-	-	-	-	-
Fines		200						(158)	(158)	42	240	300
Licences and permits		2 051						(543)	(543)	1 508	2 405	2 549
Agency services		-						-	-	-	-	-
Transfers recognised - operating		49 802		-			126	-	126	49 928	64 896	66 144
Other revenue	2	53	-	895	-	-	-	77	972	1 025	57	57
Gains on disposal of PPE		2 150						-	-	2 150	150	150
Total Revenue (excluding capital transfers and contributions)		56 116	-	895	-	-	126	(1 320)	(300)	55 816	69 543	71 058
<b>Expenditure By Type</b>												
Employee related costs		25 343	-	-	-	-	-	(715)	(715)	24 628	26 894	28 620
Remuneration of councillors		5 307						-	-	5 307	5 684	5 957
Debt impairment		310						-	-	310	326	342
Depreciation & asset impairment		3 150	-	-	-	-	-	1 565	1 565	4 715	3 308	3 473
Finance charges		51						-	-	51	31	13
Bulk purchases		-	-	-	-	-	-	-	-	-	-	-
Other materials		1 150						548	548	1 698	1 049	1 099
Contracted services		1 402	-	-	-	-	-	12	12	1 414	14 404	13 228
Transfers and grants		8 500						-	-	8 500	12 600	12 700
Other expenditure		10 304	-	-	-	-	-	(2 087)	(2 087)	8 217	9 807	10 319
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		55 517	-	-	-	-	-	(677)	(677)	54 839	74 103	75 752

### 1.3.1 Property rates

This refers to property rates income that the municipality collects as budgeted. The annual budget approved budget for property rates amounted to R1 085 997 and proposed budget adjustment has been decreased to R475 214. This decrease of R611 000. Is because as per Municipal plan sites that were vacant were supposed to be on transferred to owners by the beginning of the financial year so that there will be billed for Property Rates, so there was a delay on sites sale as a results the municipality is obliged to reduce the revenue from rates as we won't meet the Budgeted amount.

### 1.3.2 Service Charges

This refers to only to refuse removal income that the municipality collects as budgeted. The annual approved budget for service charges amounted to R 43 000 and the proposed budget adjustment has been Increased to R 60 000.00. The Increase on Refuse Removal we believe that we Under budgeted on Refuse, if we look at the previous six months monthly billing are higher than what were budgeted

### **1.3.3 Rental of Facilities and Equipment**

This refers to the rentals for municipalities facilities the municipality was budgeting R339 000. It has been reduced by R102 000 now it is amounting to R237 000. The decrease is because there are municipal facilities that were supposed to be advertised for lease but that was done late so tenants were appointed late, so as a result the municipality should have reduced the budgeted revenue as it won't be obtained.

### **1.3.4 Interest Earned**

This refers to the combination of monies invested by the municipality as well as its entity on various financial institutions both on call and fixed investments deposit accounts as well as interest on outstanding debtors.

#### **1.3.4.1 External Investments**

The approved budget for investment revenue was R360 000 and no adjustments have been made.

#### **1.3.4.2 Outstanding Debtor**

Interest on outstanding debtors was R31 500 and no adjustment has been done.

### **1.3.5 Fines**

The approved budget for Fines was R200 000 and adjustments have been proposed, the amount has been reduced with amount of R158 000, the budget now is sitting at R42 000, reason is, the municipality has not fixed their speed cameras and they don't have enough traffic working resources like alcohol tester so the municipality is still working out on that.

### **1.3.6 Licences and permits**

The approved budget for licences and permits was R2, 051m and adjustment have been proposed, the amount has been reduced with amount of R543 000 now the budget is sitting at R1, 508m. The reason is the municipality trading station has started late to operate so as a result, the municipality can't obtain the original budget, the decrease has been calculated according to the minimum amount that licenses received a month.

### **1.3.7 Transfers Recognised- operational**

This refers to operating grants gazetted during the year under-review by both National and Provincial Treasuries. The approved budget for these was R 49 802m. The addition allocation from Department of Art and Culture for Community Library Services amount is R126 000 now is sitting at R49 28m.

#### **1.3.7.1 Transfers Recognised- Capital**

This refers to Capital grants gazetted during the year under-review by National Treasury amounted to R13 902 000. The approved budget for these was R13 902m. The addition allocation from department sports and recreation for sport facilities amount is R525 000, Another addition it's a roll – over from Department of Art and Culture amounting to R894 554, but according to library action plan only R500 000 that is Capital that is Budgeted for Library Vehicle and is R298000 that will be funded internal it has been reduced by R340 000 the total Capital Receipt is R15 225m.

### **1.3.8 Other Own Revenue**

Included on other own revenue are Bill Boards income, Sundry income, telephone costs recovered and sale of bid document etc. For this revenue source, an amount of R53 000 was budgeted and adjusted is R894 554 due the reason for this increase is because we have roll-over for Privatisation of Libraries of R894 554. Another additional amount is R77 000 due to number of capital projects that has been advertised so as results tender document will generate more revenue as its non-refundable amount.

### **1.3.9 Gains on Disposal of PPE**

This refers to Gains or losses from disposal of PPE The budgeted amount is sitting at R2, 150m, no adjustments has been made due to the reason that we can't able to measure if the municipality its going to generate profit or loss as disposal of sites process will start in March and will be sold in auctioning way, the amount of R2, 150m it's our minimum market value so it's hard for us to determine the selling price till the sales has been done.

### **1.3.10 Employee Related Costs**

This refers to the salaries and benefits paid to employees. An amount of R25, 343m was budgeted and the proposed adjustment has been reduced to R 24, 628m. There have also

been positions which are deemed critical which have been approved by Municipality, These have had to be brought in onto the budget due to the critical nature and the risk the municipality is facing by not having a structure of this nature established.

#### **1.3.11 Remuneration of Councillors**

An amount of R 5, 3m was budgeted and no material adjustment has been made in this regard. As we are waiting for instructions from SALGA pertaining Councillors remuneration

#### **1.3.12 Dept Impairment**

This refers to debtors that were wrongly calculated on our final budget it was R310 000, now is Amounting to R310 000.

#### **1.3.13 Depreciation and Asset Impairment**

This refers to the provision of depreciation, amortisation and asset impairment as required by applicable standards that it must be provided for in line with asset management policy. An amount of R 3, 2m was budgeted and budget has increased to R4, 7m an adjustment has been made in this regard. Such increase come from calculations of Audited AFS Which reflected Depreciation of R4, 4m now is sitting at R4, 7m the calculations of depreciation was from movable assets and immovable assets.

#### **1.3.14 Finance Charges**

This refers to charges of machines rental this charges were budgeted an amount of R210 000. The amount of R50 600 it an interest and amount of R169 000 it capital.

#### **1.3.15 Other Materials**

This refers to the budget of repairs and maintenance and other materials. The approved budget for Other materials R30 000 and repairs and maintenance R1,1 20m and adjustment was increased on repairs and maintenance with amount of R548 000 now is sitting at R1,698m this amount for repairs are the internal repairs done by internal staff not consultants, for other materials was R30 000 and no adjustment has been made on other materials the total for both repairs and other materials is amounted to R1,698m. The reason for increase was because of the renovations of library that has started in January 2015.

#### **1.3.16 Other Expenditure**

This refers to the other expenditures incurred by the municipality. An amount of R10, 304m was budgeted and this has been reduced to R8, 217m due to the fact that we are more depended on grants and we facing financial problems we are forced to reduce some other costs which can

be voidable. This being said however, other expenditure must be kept in line with monthly projections and overspending is avoided. This category of expenditure also excludes expenditure on grants allocated to the municipality.

#### **1.3.17 Transfers and Grants**

This refers to the certain transfers non-cash, which the municipality will transfer to certain groups. The approved budget was R 8,5m and no adjustment to be made.

#### **1.3.18 Contracted Services**

This refers to all contracted services to other parties that provide services on behalf of the municipality. The approved amount was R 1, 402m and the proposed adjustment is R 1,414m which is as a result mainly the increase in security expenditure and management contracts in line with existing contracts.

### **1.4 CAPITAL BUDGET**

The approved budget for capital budget was R 14, 540m and the proposed adjusted budget is R15, 225m which is as a result new allocation of R525 000 for sport and recreation. The total of capital adjusted budget is sitting at R15,225m and the departments have indicated that the budget will be spent by the end of the financial year.

#### **1.4.1 Capital Transfers**

##### **1.4.1.1 National and Provincial**

This refers to transfers from National Treasury for capital projects. The budget was R13, 902m, Now it move to R14, 427m and Total is sitting at R15, 225m. This is due to the following:

- An amount of R525 000 that has been budgeted for addition of project Infrastructure - Sports and recreation projects, was funded provincial..

##### **1.4.1.2 Internal Funding**

The internal funded capital budget has been increased from R638 000 to R798 000 and due to Library roll – over of R500 000 that will purchase library vehicle and the balance of R298 000, will purchase furniture and Equipment and will be funded internally.

## **PART 2**

## **2.1 Effect of the adjustment budget on provision of basic services**

The effect of these adjustments will ensure accelerated basic service delivery to all stakeholders as envisaged on the Integrated Development Plan of the Municipality. This adjustment deals mainly with the challenges identified in the IDP and it seeks to address some of these challenges going forward.

## **2.2 Effect of the adjustments budget on service delivery and budget implementation plan as well as on service delivery agreements and long term financial sustainability of the District**

These adjustments will affect the overall performance and therefore adjustments to the service delivery targets and performance indicators must be undertaken. Service delivery agreements will have to be adjusted and that the adjusted budget must promote long term financial sustainability of the Municipality.

## **2.3 Adjustment Budget Tables**

The adjustment budget tables consist of:

- Table B1- Adjustment Budget Summary
- Table B2- Adjustment Budget Financial Performance ( standard classification)
- Table B3- Adjustment Budget Financial Performance ( revenue and expenditure by municipal vote)
- Table B4- Adjustment Budget Financial Performance ( revenue and expenditure)
- Table B5- Adjustment Capital Expenditure Budget by vote and funding
- Table B6- Adjustment Budget Financial Position
- Table B7- Budget Cash Flows
- Table B8- Cash backed reserves/ accumulated surplus reconciliation
- Table B9- Asset Management
- Table B10- Basic service delivery measurement

All comments made in the operating revenue and expenditure framework can be viewed from these budget adjustments tables and comparisons can be made as well as critical analysis and conclusions made thereto.

## **2.4 Adjustments to budget funding**

This refers to a narrative summary of the impact of the adjustment budget on the funding of operating and capital expenditure, financial plans, reserves and financial sustainability of the Municipality. Overall, the adjustments budget is funded by realistically anticipated revenues as well as grant funding which is gazetted. This ensures the financial sustainability of the Municipality and that both the



operating and capital expenditure is funded appropriately and that financial plans of the Municipality are well funded.

The collection rate has also been revised in view of the addition of residentials as well as continuous implementation of the credit control and debt management policy.

**Table Adjustment to expenditure on allocations and grant programmes**

Description	Ref	Budget Year 2014/15							Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted 2	Multi-year capital 3	Nat. or Prov. Govt 4	Other Adjusts. 5	Total Adjusts. 6	Adjusted Budget 7	Adjusted Budget	Adjusted Budget
		A	A1	B	C	D	E	F		
<b>R thousands</b>										
<b>EXPENDITURE ON TRANSFERS AND GRANT PROGRAM:</b>	1									
<u>Operating expenditure of Transfers and Grants</u>										
National Government:		48 852	-	-	-	-	-	48 852	64 048	65 251
Local Government Equitable Share		37 118					-	37 118	49 131	50 132
Finance Management		1 800					-	1 800	1 950	2 100
Municipal Systems Improvement		934					-	934	967	1 019
Integrated National Electrification Programme		8 000					-	8 000	12 000	12 000
Expanded Public Works Programme (EPWP)		1 000					-	1 000	-	-
-		-					-	-	-	-
Other transfers and grants [insert description]		-					-	-	-	-
Provincial Government:		950	-	-	126	-	126	1 076	848	893
Sport and Recreation		150					-	150	-	-
-		-					-	-	-	-
Provincialisation Of Libraries		800					-	800	848	893
Community Library Services		-			126		126	126	-	-
Other transfers and grants [insert description]		-					-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]		-					-	-	-	-
-		-					-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]		-					-	-	-	-
-		-					-	-	-	-
Total operating expenditure of Transfers and Grants:		49 802	-	-	126	-	126	49 928	64 896	66 144
<u>Capital expenditure of Transfers and Grants</u>										
National Government:		13 902	-	-	-	-	-	13 902	14 441	14 897
Municipal Infrastructure Grant (MIG)		13 902					-	13 902	14 441	14 897
-		-					-	-	-	-
-		-					-	-	-	-
-		-					-	-	-	-
Other capital transfers [insert description]		-					-	-	-	-
Provincial Government:		-	-	-	-	-	-	-	-	-
[insert description]		-					-	-	-	-
-		-					-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]		-					-	-	-	-
-		-					-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]		-					-	-	-	-
-		-					-	-	-	-
Total capital expenditure of Transfers and Grants		-	-	-	-	-	-	13 902	14 441	14 897
Total capital expenditure of Transfers and Grants		49 802	-	-	126	-	126	63 830	79 337	81 041

The above table shows the allocations of grants funded from National and provincial as per DORA, we as Hlabisa Municipality have received one more grant during adjustment budget it's an Community Library Services its funded provincial by department of Art and Culture. As per Library grant action plan this funding it for cyber salary as it was not allocated in R800 000, that was budget for on original budget.

## **2.5 Adjustments to Councillors and employee benefits**

As per Municipal Plan we were expecting the Secular from SALGA about the increment of Councillor Salaries and Benefits but no Instruction was given to us as a results we never change anything on Councillors Salaries and benefits for the reason that if SALGA put an increment on their benefit we won't have a financial problem.

On Senior Managers salaries there was a Total decrease from R4, 903m to R3. 353m, the decrease was R1, 550m due to the reason that the municipality was having vacant posts in some senior positions because Chief financial Officer and Technical Director Resigned, since last year August Municipality is expecting new senior managers to commence by the first of March 2015 because all appointment processes has been done, so at the mean time municipality appointed two managers to act them and Community Director was appointed late after three months financial year has been started.

Other Municipal Staff there was an Total increase from R20.442m to R21, 275m the total increase was R833 000, due to the reason that there was a Misallocation of leave payment that was placed on Other Expenditure during original Budget and other increment was done by increase in Basic salaries and wages due to the reason that the municipality has appointed more staff of which they were believing that are critical, there was decrease on overtime as municipality has appointed more staff to fill up other vacancies , Medical Aid there was no change as we municipality has more staff now and Housing allowance there was a decrease because the municipality never do as their initial plan to give all staff housing benefit but they only give housing allowance to managers and Other benefits and allowances there was no change.

Summary of remuneration	Ref	Budget Year 2014/15									% change
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	
R thousands		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H	
<b>Councillors (Political Office Bearers plus Other)</b>											
Basic Salaries and Wages		3 961						-	-	3 961	0.0%
Pension and UIF Contributions		-						-	-	-	
Medical Aid Contributions		-						-	-	-	
Motor Vehicle Allowance		958						-	-	958	0.0%
Cellphone Allowance		316						-	-	316	0.0%
Housing Allowances		-						-	-	-	
Other benefits and allowances		71						-	-	71	0.0%
<b>Sub Total - Councillors</b>		<b>5 306</b>	<b>-</b>			<b>-</b>		<b>-</b>	<b>-</b>	<b>5 306</b>	<b>0.0%</b>
% increase			(0)							-	
<b>Senior Managers of the Municipality</b>											
Basic Salaries and Wages		2 791						(757)	(757)	2 033	-27.1%
Pension and UIF Contributions		54						-	-	54	0.0%
Medical Aid Contributions		-						-	-	-	
Overtime		-						-	-	-	
Performance Bonus		337						(337)	(337)	0	-99.9%
Motor Vehicle Allowance		675						(200)	(200)	475	-29.6%
Cellphone Allowance		179						(106)	(106)	74	-58.9%
Housing Allowances		416						(200)	(200)	216	-48.0%
Other benefits and allowances		449						-	-	449	0.0%
Payments in lieu of leave		-						50	50	50	#DIV/0!
Long service awards		-						-	-	-	
Post-retirement benefit obligations		-						-	-	-	
<b>Sub Total - Senior Managers of Municipality</b>	5	<b>4 903</b>	<b>-</b>	<b>-</b>		<b>-</b>		<b>(1 550)</b>	<b>(1 550)</b>	<b>3 353</b>	<b>-31.6%</b>
% increase			(0)							(0)	
<b>Other Municipal Staff</b>											
Basic Salaries and Wages		14 222						903	903	15 125	6.3%
Pension and UIF Contributions		1 945						-	-	1 945	0.0%
Medical Aid Contributions		1 149						-	-	1 149	0.0%
Overtime		650						(138)	(138)	512	-21.2%
Performance Bonus		-						-	-	-	
Motor Vehicle Allowance		820						(83)	(83)	737	-10.1%
Cellphone Allowance		347						106	106	453	30.5%
Housing Allowances		722						(153)	(153)	569	-21.2%
Other benefits and allowances		585						-	-	585	0.0%
Payments in lieu of leave		-						200	200	200	#DIV/0!
Long service awards		-						-	-	-	
Post-retirement benefit obligations		-						-	-	-	
<b>Sub Total - Other Municipal Staff</b>	5	<b>20 441</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>835</b>	<b>835</b>	<b>21 275</b>	<b>4.1%</b>
% increase											
<b>Total Parent Municipality</b>		<b>30 649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(715)</b>	<b>(715)</b>	<b>29 934</b>	<b>-2.3%</b>

## 2.6 Adjustment to service delivery and budget implementation plan

The Below table shows the Indigents that received free basic electricity to the total of R8, 5m, the amount of R8m is funded by National and amount of R500 000, is funded internal. Please note on table below it was it was populated under cash and cash to other organisation because there was no column for cash and cash to other Indigents and the sheet is protected we cannot edit on it. On indigents there was no change as their expenditure is still in line with the budget and number of households that received free basic electricity.

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17	
		Original Budget	Prior Adjusted 6	Accum. Funds 7	Multi-year capital 8	Unfore. Unavoid. 9	Nat. or Prov. Govt 10	Other Adjusts. 11	Total Adjusts. 12	Adjusted Budget 13	Adjusted Budget	Adjusted Budget	
		A	A1	B	C	D	E	F	G	H			
R thousands													
Cash transfers to other municipalities													
[insert description]	1								-	-			
[insert description]									-	-			
[insert description]									-	-			
TOTAL ALLOCATIONS TO MUNICIPALITIES:		-	-	-	-	-	-	-	-	-	-	-	-
Cash transfers to Entities/Other External Mechanisms													
[insert description]	2								-	-			
[insert description]									-	-			
[insert description]									-	-			
TOTAL ALLOCATIONS TO ENTITIES/EMS'		-	-	-	-	-	-	-	-	-	-	-	-
Cash transfers to other Organs of State													
[insert description]	3								-	-			
[insert description]									-	-			
[insert description]									-	-			
TOTAL ALLOCATIONS TO OTHER ORGANS OF STATE:		-	-	-	-	-	-	-	-	-	-	-	-
Cash transfers to other Organisations													
[insert description]	4								-	-			
[insert description]									-	-			
[insert description]									-	-			
TOTAL CASH TRANSFERS TO OTHER ORGANISATIONS:		-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CASH TRANSFERS	5	-	-	-	-	-	-	-	-	-	-	-	-
Non-cash transfers to other municipalities													
[insert description]	1								-	-			
[insert description]									-	-			
[insert description]									-	-			
TOTAL ALLOCATIONS TO MUNICIPALITIES:		-	-	-	-	-	-	-	-	-	-	-	-
Non-cash transfers to Entities/Other External Mechanisms													
[insert description]	2								-	-			
[insert description]									-	-			
[insert description]									-	-			
TOTAL ALLOCATIONS TO ENTITIES/EMS'		-	-	-	-	-	-	-	-	-	-	-	-
Non-cash transfers to other Organs of State													
[insert description]	3								-	-			
[insert description]									-	-			
[insert description]									-	-			
TOTAL ALLOCATIONS TO OTHER ORGANS OF STATE:		-	-	-	-	-	-	-	-	-	-	-	-
Non-cash transfers to other Organisations													
Indigents	4	8 500							-	-	8 500		
									-	-			
TOTAL NON-CASH TRANSFERS TO OTHER ORGANISATIONS:		8 500	-	-	-	-	-	-	-	8 500	-	-	-
TOTAL NON-CASH TRANSFERS	5	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS		-	-	-	-	-	-	-	-	-	-	-	-

## 2.7 Adjustment to monthly targets for revenue, expenditure and cash flow

Monthly cash flows	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
		Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands																
Cash Receipts By Source	1															
Property rates		15	13	353	6	12	3	5	2	8	15	18	25	475	488	558
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse		0	0	94	0	1	1	-	1	0	0	1	7	106	27	31
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		13	7	7	18	27	118	9	3	3	3	3	0	213	142	170
Interest earned - external investments		34	27	23	15	24	35	30	33	33	34	30	42	360	223	250
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		10	2	1	5	3	8	-	1	-	2	1	1	34	144	195
Licences and permits		57	81	140	175	160	170	149	138	75	78	123	12	1 357	1 443	1 657
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - operational		17 016	1 334	-	4 000	13 914	-	2 000	300	10 364	1 000	-	-	49 928	64 896	66 144
Other revenue		64	568	524	229	212	202	372	5	9	-	113	1	2 299	37	37
Cash Receipts by Source		17 211	2 031	1 142	4 447	14 353	538	2 565	482	10 493	1 133	289	88	54 771	67 400	69 042
Other Cash Flows by Source																
Transfers receipts - capital		3 249	-	-	-	4 309	-	-	-	-	-	-	6 869	14 427	14 441	14 897
Contributions & Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	2 473	2 473	-	-
Short term loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase in consumer deposits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (Increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts by Source		20 460	2 031	1 142	4 447	18 662	538	2 565	482	10 493	1 133	289	9 429	71 671	81 841	83 939
Cash Payments by Type																
Employee related costs		2 028	1 957	2 057	2 860	2 541	2 643	2 456	1 875	1 763	2 077	1 987	384	24 628	21 515	22 896
Remuneration of councillors		202	207	213	226	230	231	298	653	615	616	600	1 217	5 307	5 684	5 957
Collection costs		-	-	-	-	-	-	-	-	-	-	-	-	-	31	13
Interest paid		0	0	0	1	6	6	5	1	8	9	4	11	51	-	-
Bulk purchases - Electricity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases - Water & Sewer		-	-	-	-	-	-	-	-	-	-	-	-	-	1 049	1 099
Other materials		30	34	13	46	15	12	-	433	245	332	187	351	1 698	14 404	13 228
Contracted services		360	103	-	120	120	120	120	120	120	120	-	112	1 414	-	-
Grants and subsidies paid - other municipalities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants and subsidies paid - other		-	2 303	88	-	4 234	1 033	-	-	841	-	-	0	8 500	12 600	12 700
General expenses		3 538	1 241	671	321	1 624	799	2	2	13	-	-	6	8 217	11 783	12 050
Cash Payments by Type		6 158	5 845	3 042	3 574	8 769	4 844	2 881	3 083	3 605	3 153	2 779	2 081	49 815	67 067	67 943
Other Cash Flows/Payments by Type																
Capital assets		-	1 007	108	687	192	878	1 087	1 209	2 877	2 563	1 676	2 941	15 225	14 441	14 897
Repayment of borrowing		-	-	-	-	-	-	-	-	-	-	-	169	169	-	-
Other Cash Flows/Payments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Payments by Type		6 158	6 852	3 151	4 261	8 961	5 722	3 968	4 292	6 481	5 716	4 455	5 191	65 209	81 508	82 840
NET INCREASE/(DECREASE) IN CASH HELD		14 302	(4 820)	(2 009)	186	9 701	(5 185)	(1 403)	(3 809)	4 011	(4 583)	(4 166)	4 238	6 462	334	1 098
Cash/cash equivalents at the month/year beginning:		1 749	16 051	11 231	9 222	9 408	19 109	13 924	12 521	8 711	12 723	8 140	3 973	1 749	8 211	8 545
Cash/cash equivalents at the month/year end:		16 051	11 231	9 222	9 408	19 109	13 924	12 521	8 711	12 723	8 140	3 973	8 211	8 211	8 545	9 643

The table above shows the monthly cash flow projections from the start of 2014/2015 financial year that the Municipality believe it will go like till the end of the financial year the reason for to believe that our balance at the year-end will be R8,2m it's because of the amount on our investment that was for Housing department and interest that is generated on monthly basis, on **property rates** the Adjusted budget is R475 000, of which the municipality believe it will be generated as there is an amount which was received from department of public works it's for Organs of State. That On **Refuse Removal** the adjusted budget in B4 financial performance is R60 000 but on cash flow is R106 000, the reason for that is there is an amount of R94 386. which was received in September but that amount was not included in this financial year budget it's was raised for previous financial year budget but was paid in this financial year. **Rental on Facilities** the adjusted budget is R237000 but on cash flow we estimated the collection of R213000 of which that is 90% we believe that we will meet that collection by looking at our previous six months cash inflow in rentals. Interest on **External Investment** no adjustments has been made due to the interest that is generated by Unspent Housing grant we believe that we will meet our target. **Fines** our adjustment budget is sitting at R42000 from R200 0000 it has decrease by R158000

such huge decrease its because of poor collection due to not working of speed cameras and other traffic working resources and on that adjusted amount we estimated 80% that can be collected. **Licences and Permit** The adjusted amount is now sitting at R1,5m from R2m and we believe that we can collect about 90% due to the fact that our traffic tasting station is performing as on monthly basis they are not collecting less than R130 000 looking at previous Five months. **Transfers and Grants Operational** Our adjusted budget is sitting at R49, 9m it has increase by R126000 that is funded by department of Art and Culture we believe that will receive 100% as our municipality is more depending on grants. Other Revenue Our Adjusted budget is sitting at R1, 025 in financial performance but on cash flow is sitting at R2, 299m the reason for such increase is due to the refunds that we have received from SARS of which we can't budget for because we can't rely on SARS because sometimes we are not refunded but we need to repay. On **proceeds on disposal of PPE** we have estimated the profit of R322500 that will be generated from the market price of R2, 150m that will make of total of R2, 473m we believe that we will generate this revenue as there is site for mall included there. **Receipt of Capital Assets** is R14, 427m that is made up by MIG of R13,902m and R525000 from sports and recreations, where's on Expenditure it will be R15 225m the balance of R798000 won't be received this financial year as it is a roll – over. On **Expenditures** we estimated the payments of !00% on all descriptions

## 2.6 Adjustment to Repairs and Maintenance

The table below shows the adjusted budget of Repairs and maintenance as the original budget was sitting at R1, 1m and it was increased by R548000, now is sitting at R1,69m according to our library grant action plan they are renovations that need to be done at library for the budget of R800 000 that the reason we increase our Repairs and maintenance and renovations has already started in January. The other repairs will be for community Halls, Municipal Building and Vehicles of which they were budgeted for in Original Budget. Even though in our Mid-year Report we have spent low on repairs that was because most repairs started late and other supplies has not been paid yet as our repairs mostly are done internally.

Description	Ref	Budget Year 2014/15									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or Prov.	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Govt	Adjus.	Adjus.	Budget	Budget	Budget
		A	7	8	9	10	11	12	13	14		
R thousands		A1	B	C	D	E	F	G	H			
Repairs and maintenance expenditure by Asset Class/Sub-class												
Infrastructure		-	-	-	-	-	-	-	-	-	207	217
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-	-	-
Roads, Pavements & Bridges		-									-	-
Storm water		-									-	-
Infrastructure - Electricity		-	-	-		-	-				-	-
Generation		-									-	-
Transmission & Reticulation		-									-	-
Street Lighting		-									-	-
Infrastructure - Water		-	-	-	-	-	-				-	-
Dams & Reservoirs		-									-	-
Water purification		-									-	-
Reticulation		-									-	-
Infrastructure - Sanitation		-	-		-		-				-	-
Reticulation		-									-	-
Sewerage purification		-									-	-
Infrastructure - Other		-	-	-	-	-	-				207	217
Refuse		-									-	-
Transportation	2	-									-	-
Gas		-									-	-
Other	3	197								197	207	217
Community		230	-	-	-	-	-	720	720	950	240	251
Parks & gardens		-	-		-	-	-				-	-
Sports Fields & stadia		-	-		-	-	-				-	-
Swimming pools		-	-		-	-	-				-	-
Community halls		200	-	-		-	-	(80)	(80)	120	210	221
Libraries		-				-		800	800	800	-	-
Recreational facilities		-	-								-	-
Fire, safety & emergency		-	-								-	-
Security and policing		-	-								-	-
Buses		-	-								-	-
Clinics		-	-								-	-
Museums & Art Galleries		-	-								-	-
Cemeteries		-	-								-	-
Social rental housing		-	-								-	-
Other		30	-							30	30	30
Heritage assets		-	-	-	-	-	-				-	-
Buildings		-	-								-	-
Other		-									-	-
Investment properties		-	-	-	-	-	-				-	-
Housing development		-	-								-	-
Other		-	-								-	-
Other assets		920	-	-	-	-	-	(172)	(172)	748	914	959
General vehicles		300	-	-						300	315	331
Specialised vehicles	18	-	-								-	-
Plant & equipment	0	-									-	-
Computers - hardware/equipment	0	50						(22)	(22)	28	-	-
Furniture and other office equipment		-									-	-
Abattoirs		-									-	-
Markets		-									-	-
Civic Land and Buildings		-									-	-
Other Buildings		400						(120)	(120)	280	420	441
Other Land		-									-	-
Surplus Assets - (Investment or Inventory)		-									-	-
Other		170						(30)	(30)	140	179	187
Agricultural assets		-	-	-	-	-	-				-	-
List sub-class		-									-	-
Biological assets		-	-								-	-
List sub-class		-									-	-
Intangibles		-	-								-	-
Computers - software & programming		-	-								-	-
Other (list sub-class)		-	-								-	-
Total Repairs and Maintenance Expenditure to be adjusted	1	1 150	-	-	-	-	-	548	548	1 698	1 361	1 426
Specialised vehicles	18	-	-	-	-	-	-	-	-	-	-	-
Refuse		-	-	-	-	-	-				-	-
Fire		-	-	-	-	-	-				-	-
Conservancy		-	-	-	-	-	-				-	-
Ambulances		-	-	-	-	-	-				-	-

## 2.7 Adjustment to monthly revenue and expenditure

The table below shows the monthly revenue and expenditure, please note that there was a miss allocation on property rates and refuse removal in September 2014, those payments were supposed to be reflected only in cash flow, but populated them in financial performance, Journal will be prepared to re allocate it correctly.

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
		Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands																
Revenue By Source																
Property rates		-	40	377	40	40	40	40	40	40	40	40	(258)	475	1 108	1 130
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse		-	5	100	5	5	5	5	5	5	5	5	(85)	60	45	48
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		8	1	19	17	20	42	6	3	43	22	19	39	237	237	261
Interest earned - external investments		13	47	37	25	22	22	5	29	43	29	35	53	360	372	384
Interest earned - outstanding debtors		(17)	2	3	12	-	-	1	3	18	0	2	5	32	33	36
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		-	-	1	5	3	8	1	4	7	3	5	5	42	240	300
Licences and permits		55	76	140	175	140	166	149	140	136	127	99	104	1 508	2 405	2 549
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		16 491	-	-	-	12 134	4 548	-	-	14 325	-	-	2 430	49 928	64 896	66 144
Other revenue		7	6	2	0	39	67	-	24	187	298	394	1	1 025	57	57
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	2 150	2 150	150	150
Total Revenue		16 556	178	679	278	12 403	4 897	207	249	14 803	525	598	4 443	55 816	69 543	71 058
Expenditure By Type																
Employee related costs		1 606	1 588	1 459	1 562	1 751	2 728	1 987	2 438	2 906	2 403	1 990	2 210	24 628	26 894	28 620
Remuneration of councillors		327	319	326	341	329	683	340	487	437	476	468	775	5 307	5 684	5 957
Debt impairment		-	-	-	-	-	-	-	-	-	-	-	310	310	326	342
Depreciation & asset impairment		-	-	-	-	-	-	-	-	-	-	-	4 715	4 715	3 308	3 473
Finance charges		-	-	-	-	5	7	7	9	7	5	6	5	51	31	13
Bulk purchases		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials		4	1	7	34	6	7	-	-	-	-	-	1 640	1 698	1 049	1 099
Contracted services		-	-	-	-	-	-	-	-	-	-	-	1 414	1 414	14 404	13 228
Grants and subsidies		81	25	15	113	2 318	2 242	-	210	-	-	-	3 496	8 500	12 600	12 700
Other expenditure		510	209	323	1 956	417	347	-	1 193	464	565	874	1 359	8 217	9 807	10 319
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		2 527	2 142	2 130	4 005	4 826	6 014	2 335	4 337	3 814	3 449	3 338	15 923	54 839	74 103	75 752
Surplus/(Deficit)		14 029	(1 964)	(1 451)	(3 727)	7 578	(1 118)	(2 128)	(4 088)	10 990	(2 924)	(2 739)	(11 480)	977	(4 560)	(4 694)
Transfers recognised - capital		-	-	-	-	-	2 873	1 873	680	1 200	3 476	1 897	2 428	14 427	14 441	14 897
Contributions		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		14 029	(1 964)	(1 451)	(3 727)	7 578	1 755	(255)	(3 408)	12 190	552	(842)	(9 052)	15 404	9 881	10 202

## 2.8 Adjustments to capital expenditure

A list of all adjusted capital programmes and projects of the municipality aligned with the Integrated Development Plan of the Municipality is attached in the supporting documentation.

The adjustment was made under planning and development as there was misallocation on original budget of R2,950m and it has been moved to correct section under Road transport and there was another addition of expenditure of R500 000 that will purchase new library vehicle it's a roll – over will be funded internally. The amount of R340 000 was reduced from total amount of R638000 to R298000 that will be funded internally the reason is municipality is facing some challenges financially.



Total Capital Expenditure - Vote		14 540	-	500	-	-	525	(340)	685	15 225	21 114	21 784
<b>Capital Expenditure - Standard</b>												
<i>Governance and administration</i>		250	-	-	-	-	-	(80)	(80)	170	100	150
Executive and council		-						-	-	-	-	-
Budget and treasury office		250						(80)	(80)	170	100	150
Corporate services		-						-	-	-	-	-
<i>Community and public safety</i>		11 052	-	-	-	-	525	(100)	425	11 477	300	300
Community and social services		8 867						-	-	8 867	-	-
Sport and recreation		2 085					525	-	525	2 610	-	-
Public safety		100						(100)	(100)	-	300	300
Housing		-						-	-	-	-	-
Health		-						-	-	-	-	-
<i>Economic and environmental services</i>		3 238	-	-	-	-	-	(160)	(160)	3 078	20 714	21 334
Planning and development		3 238						(3 110)	(3 110)	128	20 714	21 334
Road transport		-						2 950	2 950	2 950	-	-
Environmental protection		-						-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	-	-	-	-	-
Electricity		-						-	-	-	-	-
Water		-						-	-	-	-	-
Waste water management		-						-	-	-	-	-
Waste management		-						-	-	-	-	-
<i>Other</i>		-		500				-	500	500	-	-
Total Capital Expenditure - Standard	3	14 540	-	500	-	-	525	(340)	685	15 225	21 114	21 784
<b>Funded by:</b>												
National Government		13 902							-	13 902	14 441	14 897
Provincial Government		-					525		525	525	-	-
District Municipality		-							-	-	-	-
Other transfers and grants		-							-	-	-	-
Total Capital transfers recognised	4	13 902	-	-	-	-	525	-	525	14 427	14 441	14 897
Public contributions & donations		-							-	-	-	-
Borrowing		-							-	-	-	-
Internally generated funds		638		500				(340)	160	798	6 673	6 887
Total Capital Funding		14 540	-	500	-	-	525	(340)	685	15 225	21 114	21 784

### 3. Recommendations

It is recommended **THAT**

- That the 2014/2015 adjustments budget be approved and adopted.
- It be noted that the adjustments budget is being tabled by the Mayor in terms of section 28 (2) (b) and (d), as well as section 28 (4) of the MFMA.
- It be noted that the adjustments budget is fully compliant with section 28 (6) of the MFMA in that municipal tax and tariffs will not increase as a result of the adjustments budget.
- Upon approval of the adjustments budget, Manager Budgets & Compliance ensures that, in terms of section 22 (b) of the MFMA, the adjustments budget is submitted in both printed and electronic formats to the National Treasury and Provincial Treasury.
- Upon approval of the adjustments budget, Chief Financial Officer ensures that, in terms of section 22 (b) of the MFMA, the adjustments budget is submitted in both printed and electronic formats to the National Treasury and Provincial Treasury.